

## Message Text

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ACTION INT-05

INFO OCT-01 EA-12 NEA-10 ISO-00 AGRE-00 CEA-01 CIAE-00  
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DOE-11 EUR-12 /131 W  
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R 101112Z JAN 78  
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TO SECSTATE WASHDC 8622  
INFO AMEMBASSY TOKYO  
USDOC WASHDC  
AMCONSUL BOMBAY  
AMCONSUL CALCUTTA  
AMCONSUL MADRAS

UNCLAS NEW DELHI 0504

PLEASE PASS TO USBURMINES USGS

E.O. 11652: N/A  
TAGS: EMIN IN  
SUBJECT: IRON ORE EXPORTS-INDIA

1. ACCORDING TO GOI PRELIMINARY ESTIMATES, IRON ORE EXPORTS FROM INDIA DURING IFY 1977-78 ARE EXPECTED TO REACH CLOSE TO 24 MILLION METRIC TONS VALUED AT ROUGHLY RS. 2.6 BILLION (DOLS 306 MILLION AT RS. 8.50 EQUALS DOL 1.00). THIS COMPARES TO 23.1 MILLION MT IN 1976-77 VALUED AT RS. 2.4 BILLION (DOLS 282 MILLION). OF THE 24 MILLION MT 13.0-13.5 MILLION MT ARE EXPECTED TO BE SUPPLIED THROUGH THE GOI'S MINERALS AND METALS TRADING CORPORATION (MMTC) AND THE BALANCE FROM PRIVATE SECTOR EXPORTERS OF GOA. WHILE THE EXPORT TARGET FOR 1977-78 HAS BEEN REVISED DOWNWARD SEVERAL TIMES IN VIEW OF THE CUTBACK IN JAPANESE STEEL PRODUCTION, THE GOI ANTICIPATES  
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EXPORTS REACHING NEARLY 27 MILLION MT DURING THE NEXT FISCAL YEAR ENDING MARCH 31,1979.

2. JAPAN CONTINUES TO BE INDIA'S PRINCIPAL IRON ORE CUSTOMER, AT PRESENT ACCOUNTING FOR ABOUT 75 PERCENT OF THE EXPORT MARKET. A HIGH LEVEL DELEGATION FROM MMTC IS NOW IN TOKYO NEGOTIATING FOR A PRICE HIKE AS WELL AS A HIGHER OFFTAKE OF IRON ORE.

JAPAN, ON THE OTHER HAND, IS REPORTEDLY SEEKING A REDUCTION IN IMPORTS FROM INDIA. AT THE SAME TIME INDIA IS NEGOTIATING TO MAKE SOME BREAKTHROUGH IN THE EXPORT OF IRON ORE FINES. TRIAL SHIPMENTS OF FINES FROM THE BAILADILLA MINES, WHICH CURRENTLY SUPPLY THE BULK OF THE ORE SHIPPED TO JAPAN ARE EXPECTED TO BE MADE SOMETIME DURING THE FIRST QUARTER OF 1978.

3. EAST EUROPEAN COUNTRIES - ROMANIA, POLAND, CZECHOSLOVAKIA, YUGOSLAVIA, HUNGARY, EST GERMANY - TOGETHER ACCOUNT FOR ABOUT 20 PERCENT OF INDIA'S IRON ORE EXPORTS. IRON ORE CONTRACTS WITHIN THE FRAMEWORK OF LONG TERM TRADE AGREEMENTS ARE NEGOTIATED ANNUALLY AT A GOVERNMENT TO GOVERNMENT LEVEL.

4. COMMENT: IN VIEW OF THE CURRENT WORLD WIDE RECESSION IN THE IRON AND STEEL INDUSTRY, NEXT YEAR'S EXPORT TARGET OF 27 MILLION MT OF IRON ORE MAY WELL BE ON THE HIGH SIDE. WE ARE TOLD THAT STOCKS WITH MMTC HAVE ALREADY RISEN TO FOUR MILLION MT OR NEARLY DOUBLE THE NORMAL AMOUNT. IF THE NEAR STAGNATION IN THE WORLD WIDE PRODUCTION OF STEEL CONTINUES, ASIDE FROM A LIKELY REDUCTION IN FOREIGN EXCHANGE EARNINGS, THE MAJOR IMPACT ON THE INDIAN ECONOMY WOULD BE THE AFFECT ON DOMESTIC IRON ORE PRODUCTION WHICH IS HIGHLY LABOR INTENSIVE. INDIA, IN THE MEANTIME IS EXPLORING NEW MARKETS IN AN ATTEMPT TO BE LESS DEPENDENT ON JAPAN FOR EXPORTS.  
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## Message Attributes

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